MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

DTX5018 – TAXATION 1

(For Diploma Students Only)

05 MARCH 2018
9.00am – 12.00pm
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **11** pages (**8** pages with 4 Questions and **3** pages for appendix).
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

PART A

Ahmad is an engineer from Abu Dhabi. He put his loyalty towards his job since 8 years ago. As for his good achievement, Ahmad is promoted as senior engineer in his company on 1 January 2009. His new position requires him to handle few big international projects of the company outside Abu Dhabi. Hence, he needs to travel frequently to overseas country including Malaysia.

Ahmad's passport show the following particulars for the record of his stay in Malaysia for the Year of Assessment (YA) 2009 until 2017:

YA	Period of stay
2009	9.9.2009 – 23.10.2009
2010	5.2.2010 – 13.3.2010
	8.6.2010 – 4.9.2010
	7.11.2010 – 31.12.2010
2011	1.1.2011 – 30.4.2011
	15.5.2011 – 27.8.2011
2012	2.6.2012 – 4.7.2012
	10.8.2012 – 5.10.2012
2013	1.7.2013 – 12.9.2013
2014	1.1.2014 – 31.3.2014
	3.7.2014 – 6.10.2014
	7.11.2014 – 31.12.2014
2015	1.1.2015 – 30.4.2015
	12.6.2015 – 5.8.2015
2016	10.2.2016 – 5.3.2016
2017	1.1.2017 – 3.7.2017

Additional information:

1. Ahmad had a social visit in Singapore on 1.5.2011 until 14.5.2011.
2. On 7.10.2014 until 6.11.2014, Ahmad went for a seminar in China.

Instruction:

Determine the residence status of Ahmad for YA 2009 to 2017, quote relevant provisions of the Income Tax Act (ITA) 1967 and provide reasons for Year Assessment 2010, 2011, 2012 and 2013 to support your answer. (13 marks)

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PART B

Bryan, Belina, Bianca and Brandon are siblings. They are from Malaysia and earn their respective income for a living.

Bryan formed ECO Sdn Bhd on 1 January 2012 with paid up Ordinary Share Capital of RM2,230,000. In year 2016, Bryan suffered a loss of RM12,000. However, he managed to overcome the losses during 2017 where the company recorded a statutory income of RM500,000 and rental income of RM45,000.

Belina and five other shareholders commenced a business named Graphics Sdn Bhd since 2014 with accounting period ended on 31 August each year. In year 2017, the company has a gross income of RM480,000, capital allowance of RM63,000 and rental income of RM32,000. Graphics Sdn Bhd had paid up Ordinary Share Capital of RM2,800,000 upon its commencement in 2014.

Bianca is an actress since 2010 where she involves several shooting include inside and outside Malaysia. Due to frequent travel from Malaysia to outside country, it makes Bianca falls under non-resident in 2017. During 2017, Bianca receives a salary of RM160,000, entertainment allowance of RM8,000 as well as a travelling allowance of RM12,400.

Brandon was just graduated from his study at the end of 2016. In January 2017, he is appointed as an engineer in Alor Gajah, Melaka. For 2017, Brandon receives a total salary of RM85,000, bonus of RM7,200 and a leave passage to Italy of RM2,500.

Instruction:

Compute the chargeable income and income tax payable for Bryan, Belina, Bianca and Brandon based on their respective independent situations for the Year of Assessment (YA) 2017.

Show all necessary workings. (12 marks)

[TOTAL 25 MARKS]

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QUESTION 2

PART A

Compute respective adjusted income based on the following independent situations:

i. Miss Laily took a loan to purchase shares in Vellery Bhd amounted to RM125,000 with interest on loan of 6% annually. The process incurred several expenses including stamp duty of RM5,600 to transfer the shares and commission of RM4,200. During year of assessment 2017, Miss Lily received RM45,600 as net dividend from Vellery Bhd. The company tax rate is 24%. (2 marks)

ii. Dr. Randy is a lecturer in Multimedia University. During his free time, he writes book on higher education. In 2017 he earns royalty of RM27,000 from the books written. Besides, he also receives royalties of RM9,800 in March and RM8,800 in August 2017 for translation services requested by the Ministry of Education. He was also spent RM4,300 for book editing. (3 marks)

PART B

Romagi Sdn Bhd commenced its business on 1 August 2013 with an authorised Ordinary Share Capital of RM2,250,000. The company prepare its first set of account after its commencement up to 31 December 2013. On 1 January 2014, the company decided to change the accounting date to 31 March.

In June 2015, Romagi Sdn Bhd acquire Gernata Sdn Bhd. Thus, Romagi Sdn Bhd decided to change their accounting date to 31 December for conforming the merging of accounting date.

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Following are the adjusted income/(loss) for respective accounting period:

Accounting period	Adjusted income/(loss) (RM)
1.8.2013 – 31.12.2013	(20,000)
1.1.2014 – 31.12.2014	(66,000)
1.1.2015 – 31.12.2015	120,000
1.1.2016 – 31.12.2016	155,000
1.1.2017 – 31.12.2017	234,000

Instruction:

Determine the basis period and compute the adjusted income/(loss) of Romagi Sdn Bhd for its merging for relevant years of assessment. (8 marks)

Show all necessary workings.

PART C

DO Shop was owned by a young entrepreneur, Miss Katty since 2015. The following is the accounting information for Year of Assessment 2017, unless stated otherwise:

	RM
Revenue:	
Rental: January – December	78,000
Advance rental for January – February 2018	14,000
Refundable deposit	7,000
Deposit for utilities	1,000
Expenses	
House assessment	5,300
Quit rent for 2016 – RM800	
2017 – RM1,100	1,900
Interest paid to bank	2,200
Management fees (5% on income)	4,600
Penalty for late payment of quit rent	700
Repairs : Repainting	2,300
Hall renovation	10,200
Air-conditioner installation	1,400
Replacement of damage door	2,000
Fire insurance	8,400

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Instructions:

i. Calculate the adjusted income from rental source of DO Shop for YA 2017. (8 marks)

ii. Explain your answer in (i) for tax adjustments made for Refundable deposit, Quit rent 2016, Hall renovation and Fire insurance. (4 marks)

[TOTAL 25 MARKS]

QUESTION 3

PART A

Puan Lenny is a Malaysian aged 58 years old. She has a contract of employment with Genna Sdn Bhd since 1 January 2002 as a manager in the Accounting Department. She retired from the company on 31 July 2017. For the basis year 2017, the remuneration and benefits of Puan Lenny are as follows:

	RM
Salary per month	11,000
Travelling allowance per month (official duties)	5,000
Entertainment allowance per month	4,000
Bonus	63,000
Leave passage to Langkawi Island (including RM700, cost of fares for her friend)	4,000

Genna Sdn Bhd also provides Puan Lenny with some fringe benefits as follows:

i. An option to purchase 8,000 shares at RM3.50 per share on 1 February 2017 when the market value was RM5.00 per share. Puan Lenny exercised the option on 1 May 2017 when the market price of the share raised to RM7.50 per share.

ii. A gratuity payment of RM180,000 upon her retirement on 1 August 2016.

iii. Reimbursement of her servant salary which was paid by Puan Lenny at RM900 per month. The servant was hired by her since January 2017.

iv. Broadband subscription fee registered under the name of Genna Sdn Bhd amounting to RM700 per annum.

v. She was provided with a fully furnished bungalow with monthly rental of RM7,000 (including monthly rental for furniture of RM2,000 per month).

vi. Effective from 1 June 2016, she was provided with a car and driver (exclude petrol). The car was purchased in January 2016 for RM250,000. The company paid salary of RM800 per month to the driver.

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vii. In May 2017, the company sponsored Puan Lenny and her spouse a holiday to Hong Kong, China. The expenditure incurred consist of air fare and meals and accommodation amounted to RM12,000 and RM3,000 respec tively.

viii. Company paid annual membership fees of RM300 to the Malaysian Institute of Accountants.

ix. During the year, Puan Lenny incurred travelling expenses of RM20,000 and entertainment expenses of RM27,000. All expenses incurred were related to the company's business.

Instruction:

Compute the statutory employment income of Puan Lenny for the YA 2017. (20 marks)
Show all necessary workings.

PART B

In Section 2 ITA 1967, employment is defined in which the relationship of master & servant subsists and any appointment or office, whether public or not and whether or not that relationship subsists for which remuneration is payable. The issue whether an individual is exercising an employment (contract of service) or is self-employed or profession (contract for service) rest entirely on its own situations.

Briefly explain **FIVE (5)** principles which may serve as a guide as to whether there exists an employment source. (5 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Encik Fareed is a Malaysian resident aged 51, is an entrepreneur of handcraft products. He named his shop 'Malaysian Value Enterprise' located at Arau, Perlis. His wife, Puan Deena is a Malaysian resident where she works as an auditor in Kangar, Perlis. They are blessed with 4 children aged between 16 to 26 years old.

The following is the information pertaining to their income and expenses for the basis year 2017:

Encik Fareed (Malaysian Value Enterprise)		**Puan Deena**	
	RM		RM
Adjusted income	150,000	Monthly gross salary	4,000
Balancing allowance	30,000	Monthly EPF contribution	440
Balancing charge	50,000	Dividend income	2,500
Unabsorbed business loss b/f	(25,000)	Royalty received from book translation approved by Ministry of Education	25,000
Current year capital allowance	10,000		

Additional information:

1. Children – Puan Deena has elected to claim reliefs for Adra and Ayra.

i. Adam	26 years old	Working as medical officer at Hospital Putra Melaka.
ii. Addy	24 years old	Full time student at Multimedia University. During the semester break, he worked as a part time cashier at a fast food restaurant and earned an income of RM2,400.
iii. Adra	18 years old	Studying at Matriculation College, Melaka.
iv. Ayra	16 years old	Attending a boarding school in Perak.

2. During the year, Puan Deena incurred RM800 for a full medical examination expenses. The examination revealed that she was suffering from lung cancer. Due to that, an additional RM8,000 was spent by her for the medical treatment at KPJ Hospital, Perlis.
3. Encik Fareed spent RM3,000 to buy basic supporting equipment for his father who was disabled.
4. Encik Fareed purchased a computer for business use amounting to RM3,200. Besides, he incurred RM800 and RM300 for magazines and newspaper fees respectively.

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5. Puan Deena's parents lived with her since year 2014. Her mother is 62 years old and her father is 70 years old.
6. Encik Fareed and Puan Dina paid RM1,200 and RM800 respectively for zakat.
7. Puan Deena paid a premium of RM1,500 and RM2,800 for her daughters on education and medical insurance respectively.

Instruction:

Compute the income tax payable separately for Encik Fareed and Puan Deena for the year of assessment 2017. (25 marks)

Show all necessary workings

[TOTAL 25 MARKS]

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APPENDIX

The following rates and allowances are to be used in answering all questions:

(a) Rates of tax for year of assessment 2016-2017:

(i) Non-resident individual 28%

(ii) Resident individuals:

Chargeable Income(RM)		Rate %	Tax Payable (RM)
On the first	2,500	0	0
On the next	2,500	0	0
On the first	5,000		0
On the next	5,000	1	50
On the first	10,000		50
On the next	10,000	1	100
On the first	20,000		150
On the next	15,000	5	750
On the first	35,000		900
On the next	15,000	10	1,500
On the first	50,000		2,400
On the next	20,000	16	3,200
On the first	70,000		5,600
On the next	30,000	21	6,300
On the first	100,000		11,900
On the next	50,000	24	12,000
On the first	150,000		23,900
On the next	100,000	24	24,000
On the first	250,000		47,900
On the next	150,000	24.5	36,750
On the first	400,000		84,650
On the next	200,000	25	50,000
On the first	600,000		134,650
On the next	400,000	26	104,000
On the first	1,000,000		238,650
Exceeding	1,000,000	28	

(b) Prescribed value of other benefits

Item	Types Of BIK	Value Of BIK (RM)
(a)	Gardener	3,600 per person (300 per month)
(b)	Driver	7,200 per person (600 per month)
(c)	Household/Domestic servant	4,800 per servant (400 per month)
(d)	Guard	4,800 per person (400 per month)

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(c) Value of benefits in kind – Motor Vehicle and Related Benefits

Cost Of Car When New (RM)	Annual Value Of BIK (RM)	Fuel Per Annum (RM)
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

(d) Prescribed value of household furnishing, apparatus and appliances.

Category	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM840 (RM 70 per month)
(b)	Semi-furnished with furniture as above and one or more of the following:- air-conditioners, curtains and carpets.	RM1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as above plus one or more of the following:- kitchen equipment, crockery, utensils and appliances.	RM3,360 (RM 280 per month)
(d)	Service charges and other bills such as water and electricity and telephone	Service charge and bills paid by the employer

(e) Relief for year assessment 2017:

YA	2017 (RM)
Personal relief (each)	9,000
Disable taxpayer (additional relief)	6,000
Wife relief (claimed by husband)	
: Wife elects joint assessment or no source of income	4,000
: Wife disabled (addition relief)	3,500
Husband relief (claimed by wife)	
: Husband elects joint assessment or no source of income	4,000
: Husband disabled (additional relief)	3,500
Medical expenses for taxpayer's parents (restricted to)	5,000

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Parental care : Father : Mother (Age >60 years old, annual incomes ≤ RM24,000)	 1,500 1,500
Medical examination expenses (max RM500) to be included in medical expenses on serious disease for taxpayer, spouse and children [without receipts] (restricted to)	6,000
Supporting equipment for disabled taxpayer, spouse, children or parents (restricted to)	6,000
Child relief (claimed by either husband or wife) : per child (below 18 years of age) : per child (over 18 years of age) – Universities or college : disabled child (unmarried) : disabled child (over 18 years of age) – Universities or college	 2,000 8,000 6,000 14,000
Amount deposited into Skim Simpanan Pendidikan Nasional (SSPN) for child (restricted to)	6,000
EPF or approved fund (contributed by employee) and life insurance premium (restricted to)	6,000
Premium on deferred annuity contract and private retirement scheme	3,000
Insurance premium on education/medical (restricted to)	3,000
Employees contribution to Social Security Organization (SOCSO) scheme	250
Education fees paid by taxpayer for his own improvement in relation to law and accounting, Islamic finance, technical, vocational, industrial, scientific or technological skills or postgraduates studies (Master, PhD) in Malaysia.	7,000
Lifestyle expenses for taxpayer, spouse and children - Purchase of reading materials - Purchase of sports equipment - Purchase of computer, smartphone/tablet - Internet subscription and - Gym membership fee	2,500
Breastfeeding equipment (Child age ≤ 2 years old)	1,000
Fees paid to childcare centre & kindergarten (Child age ≤ 6 years old)	1,000

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